

# Our City, Our Home Fund Reclassification of Advanced Expenses



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller

06.25.2021

## Background: General Fund Advanced Expenses

- Voters adopted the Homelessness Gross Receipts Tax Ordinance (Prop C) in November 2018
- Prop C was promptly challenged in court
- During litigation, the City collected the tax but was unable to access the funds to support eligible expenses
- The Mayor and Board of Supervisors appropriated General Funds as “advances” to be transferred to the OCOH Fund when the special tax proceeds became available. This reclassification of eligible expenses was approved via ordinance each year:
  - FY2018-19: [Ordinance 33-19](#)
  - Budget Section 35 of [FY2019-20](#) and [FY2020-21](#)

## Advanced OCOH spending **expanded homeless services** between 2018 and 2021.

- **Housing:** Permanent Supportive Housing rental subsidies, property management, and support services
- **Shelter:** Shelter beds, supportive services for people experiencing homelessness, specialized supports for Transition Aged Youth
- **Prevention:** Rental assistance to prevent homelessness, housing problem solving, outreach, housing stability planning services
- **Mental Health:** Mental health and substance use treatment beds; specialized support services for homeless older adults, families with minor children, and Transition Aged Youth

# Unlocking the Our City, Our Home Fund

- Prop C was successful in the courts:
  - July 5, 2019, ruling in support from San Francisco Superior Court
  - June 30, 2020, Superior Court ruling upheld in California Appellate Court
  - September 9, 2020, California Supreme Court denied a request to review the lower courts' rulings
- The Our City, Our Home Fund “unlocked” as of September 2020
- In September 2020, the Our City, Our Home Oversight Committee formed
  - Since February 2021, Controller and OCOH “Immediate Needs Liaison” have been reviewing the advanced expenses to ensure they meet the OCOH Fund eligibility criteria

# Only **OCOH-Eligible Services** Can Be Reclassified

Eligible advanced spending follows the OCOH Fund categories:

- Permanent housing
- Homelessness prevention
- Homeless shelter and hygiene services
- Mental health services

In FY20-21, the Controller's Office reviewed prior year advanced spending to ensure all services met eligibility requirements, per recent determinations by the Controller's Office and City Attorney's Office.

Updates from this review:

- All permanent housing, homelessness prevention and homeless shelter and hygiene services re-confirmed as eligible for reclassification
- Only "new" mental health services have been included for reclassification, and baseline has been adjusted accordingly

# OCOH Funds **Cannot Replace Existing Spending** on Homelessness Programs

The OCOH ordinance charges the Controller's Office with calculating the baseline level of spending in the year before OCOH funding (FY2017-18). Only OCOH-eligible service costs are included in the FY2017-18 baseline. Spending above the baseline is eligible for reclassification.

**Table A-3: Total Eligible Expenses vs. Baseline**  
(\$ in millions)

<b>Prop C Category</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Permanent Housing	\$116.8	\$146.3	\$160.6	\$181.3
Temporary Shelter & Hygiene	\$52.4	\$88.7	\$92.8	\$77.4
Homelessness Prevention	\$31.6	\$35.7	\$62.9	\$47.6
Mental Health	\$0.0	\$12.8	\$4.5	\$7.7
<b>Total</b>	<b>\$200.8</b>	<b>\$283.5</b>	<b>\$320.8</b>	<b>\$314.0</b>
<b>FY 2017-18 Baseline</b>	<b>\$200.8</b>	<b>\$200.8</b>	<b>\$200.8</b>	<b>\$200.8</b>
<b>Total Appropriations Above Baseline</b>	<b>\$0.0</b>	<b>\$82.8</b>	<b>\$120.0</b>	<b>\$113.2</b>

# Reclassification of Eligible Expenses Is **Limited By Category Caps** Set By OCOH Fund

Reclassification must follow the limits set by the OCOH Fund and cannot exceed the maximum spending caps.

**Table A-4: Total Above-Baseline Spending Constrained by Category Caps**  
(\$ in millions)

<b>Prop C Category</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
<b>Total Appropriations Above Baseline</b>	<b>\$0.0</b>	<b>\$82.8</b>	<b>\$120.0</b>	<b>\$113.2</b>
<b><u>Reductions for Category Caps</u></b>				
Permanent Housing	\$0.0	\$0.0	\$0.0	-\$43.6
Temporary Shelter & Hygiene	\$0.0	-\$29.8	-\$3.0	-\$8.7
Homelessness Prevention	\$0.0	\$0.0	\$0.0	-\$13.1
Mental Health	\$0.0	\$0.0	\$0.0	-\$17.4
<b>Above Baseline Advanced Expenditures</b>	<b>\$0.0</b>	<b>\$53.0</b>	<b>\$117.0</b>	<b>\$26.0</b>
<b>Three Year Total =</b>				<b>\$196.0</b>

# Reclassification of Eligible Expenses by Category

**Table A-5: Advanced Expenditures by Category**  
(\$ in millions)

<b>Prop C Category</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Total</b>
Permanent Housing	\$29.6	\$43.8	\$19.9	\$93.3
Temporary Shelter & Hygiene	\$6.6	\$37.4	\$6.1	\$50.0
Homelessness Prevention	\$4.1	\$31.2	\$0.0	\$35.3
Mental Health	\$12.8	\$4.5	\$0.0	\$17.3
<b>Total Advanced Expenditures</b>	<b>\$53.0</b>	<b>\$117.0</b>	<b>\$26.0</b>	<b>\$196.0</b>

## Next Steps

Ordinances passed by the Board of Supervisors direct the Controller's Office to reclassify eligible expense by June 30, 2021.

The Controller's Office will reclassify advance expenses in alignment with the ordinances by the close of the fiscal year.

Thank you.

Any questions?